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EAST MALARTIC MINES LIMITED

(no personal liability)

Annual Report

For the year ended December 31, 1972

**EAST MALARTIC
MINES LIMITED**

(no personal liability)

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(no personal liability)

OFFICERS

ROBERT C. STANLEY, JR. President
JOHN C. L. ALLEN Vice-President
IAN T. H. HAMILTON Secretary

DIRECTORS

PETER A. ALLEN
JOHN C. L. ALLEN
D. M. GIACHINO
D. C. WEBSTER
P. K. HANLEY
L. B. HARDER
ROBERT C. STANLEY, JR.

MINE MANAGER

P. J. McCARTHY

TRANSFER AGENT

MONTREAL TRUST COMPANY, Toronto and Montreal

AUDITORS

THORNE GUNN & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 400, 112 King Street West, Toronto, Ontario

EAST MALARTIC MINES LIMITED

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EAST MALARTIC MINES LIMITED (No Personal Liability)

To the Shareholders:

The outlook for your Company's gold mine has immeasurably improved with the substantial increase in the free-market price of gold.

During 1972 proven ore reserves of five years at current production rates were more than maintained. A decline has been started below the bottom, 31st level (4,845 feet) to open up a million tons of better grade ore. Deliveries from this zone should commence in 1974.

The 1972 operating profit improved slightly to \$173,000 from \$102,000 in 1971. Two severe rock bursts reduced production considerably in the third quarter.

The financial position continued strong with an increase in working capital of \$917,000 to \$3,981,000.

The Directors take this opportunity to record their appreciation to Mr. P. J. McCarthy, Mine Manager, the Staff and all Employees for their loyal and efficient service during the year.

On behalf of the Board,

ROBERT C. STANLEY, JR.
President

EAST MALARTIC MINES LIMITED

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MINE MANAGER'S REPORT

The President and Board of Directors,
East Malartic Mines Limited,
Suite 400 - 112 King Street West,
Toronto, Ontario M5H 1J2

Dear Sirs:

This report covering operations of your Company for the year 1972 is respectfully submitted.

Production

During the year 549,811 tons of ore were milled yielding 69,288 fine ounces of gold and 11,685 ounces of silver. The total value of this bullion was \$3,636,564 for a recovery of \$6.61 per ton.

In Canadian funds, the average price received per fine ounce of gold and silver were \$52.21 and \$1.65 as compared with \$45.61 (including E. G. M. A.) and \$1.58 in the previous year.

Development

During 1972, exploration and development drives amounted to 2,048 feet. Most of this work was carried out on the 8th level where the Main drift is being extended Eastward in order to explore for the upward extension of the 11-48 ore zone.

Total stope development (Mining drifts, Sub-drifts, Raises, etc.) amounted to 6,464 feet as compared to 5,985 feet in 1971.

Total underground diamond drilling amounted to 18,881 feet, up from 14,117 feet in 1971.

Ore Reserves

At December 31st, 1972, proven ore reserves, broken and in place above the 31st (4,845') level, stood at 2,045,585 tons having an average grade of 0.131 ounces of gold per ton. This compares with 1,910,156 tons with a grade of 0.132 ounces of gold per ton at December 31st, 1971.

In addition to this, diamond drilling has indicated 983,452 tons of ore with a grade of 0.183 ounces of gold per ton, below the 31st level. At year's end preparations were underway to drive a decline from the 31st level to develop this ore.

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Exploration East Zone

Exploratory drilling from the 11th (1,735') level has extended 11-48 zone to a height of 300 feet above the level. Ore reserves of 202,563 tons with a grade of 0.167 ounces per ton have so far been outlined and this block of ore is now being prepared for mining. The upward extension of the zone is still open and further diamond drilling will be required from the 8th (1,270') level.

Further east drilling from the top of 11-53 raise and from 11th level has completely outlined the 11-55 zone. This block of ore is now estimated to contain 246,425 tons with a grade of 0.187 ounces per ton.

Exploratory drilling to test a portion of the porphyry mass between the 13th and 16th levels, near section 5000E was started late in the year.

Main Zone

Detail drilling from the sub-levels in 27-38 stope to obtain exact mining limits, prior to mining, increased the estimates to 102,056 tons with a grade of 0.133 ounces per ton. Mining of this ore block has now started.

General

The amount paid by the Company in 1972 for wages and salaries amounted to \$1,962,145. In addition, the amount paid out for Workmen's Compensation, Unemployment Insurance, Quebec Pension and Medical Plan and other employee benefits amounted to \$206,650.

Disbursements for operating supplies and power consumed, including expenditures for capital equipment were \$1,608,283. Capital costs were \$136,203 as compared to \$15,896 in 1971. Expenditures for trackless mining equipment, pumps, drill machines and ventilation equipment accounted for the increase in capital costs.

At year end there were 293 employees on the payroll compared to 286 the pervious year.

In conclusion, I wish to take this opportunity to thank the President and Directors for their guidance and support and to express my appreciation to the Department Heads and Employees for their co-operation.

Respectfully Submitted,

P. J. McCARTHY
Mine Manager

Malartic, Quebec
January 12, 1973

EAST MALARTIC MINES LIMITED

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BALANCE SHEET

(Incorporated under the laws of Quebec)

ASSETS

(with comparative figures at December 31, 1971)

Current Assets

	1972	1971
Cash		\$ 209,507
Short term deposits	\$ 825,000	1,610,000
Bullion, at net realizable value	407,550	223,007
Marketable securities, at cost less allowance for decline in market value 1972, \$60,000; 1971, \$170,000 (quoted market value 1972, \$2,693,600; 1971, \$547,400)	2,695,901	548,353
Accounts receivable	54,713	213,256
Amount receivable under the Emergency Gold Mining Assistance Act		226,742
Supplies and other assets, at cost	461,731	472,327
	<u>4,444,895</u>	<u>3,503,192</u>

Investment in Shares of Other Companies, at cost

Associated companies (quoted market value 1972, \$1,039,700; 1971, \$1,760,700) (note 1)	1,443,611	2,229,279
Other companies (quoted market value 1972, \$231,300; 1971, \$146,600)	299,599	184,393
	<u>1,743,210</u>	<u>2,413,672</u>

Fixed Assets, at cost

Buildings, machinery and equipment	5,515,046	5,411,166
Less accumulated depreciation	5,051,799	4,962,999
	463,247	448,167
Mining properties	179,618	179,618
	<u>642,865</u>	<u>627,785</u>

Deferred Charges

Shaft sinking and other operating expenditures deferred less amounts written off	49,393	87,887
	<u>\$6,880,363</u>	<u>\$6,632,536</u>

To the Shareholders of

East Malartic Mines Limited (No Personal Liability)

AUDITORS'

We have examined the balance sheet of East Malartic Mines Limited (No Personal Liability) as at December 31, 1972 and the statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada
February 23, 1973

EAST MALARTIC MINES LIMITED

(no personal liability)

DECEMBER 31, 1972

LIABILITIES

(with comparative figures at December 31, 1971)

(Incorporated under the laws of Quebec)

Current Liabilities

	1972	1971
Bank overdraft	\$ 7,897	
Accounts payable and accrued liabilities	455,781	\$ 439,585
	<u>463,678</u>	<u>439,585</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 2)

Authorized – 5,000,000 shares of \$1 each (1971, 4,000,000 shares)		
Issued – 4,035,000 shares (1971, 4,000,000 shares)	4,035,000	4,000,000
Less discount on shares	2,185,392	2,199,992
	<u>1,849,608</u>	<u>1,800,008</u>

Retained Earnings

4,073,000

4,567,077	4,392,943
<u>6,416,685</u>	<u>6,192,951</u>

Approved by the Board

P. K. Hanley, Director

J. C. L. Allen, Director

\$6,880,363 \$6,632,536

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE GUNN & CO.
Chartered Accountants

EAST MALARTIC MINES LIMITED

(no personal liability)

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1972

(with comparative figures for 1971)

Operating Revenue	1972	1971
Bullion recovery	\$3,636,564	\$2,573,745
Assistance under the Emergency Gold Mining Assistance Act		741,822
	<u>3,636,564</u>	<u>3,315,567</u>
 Operating Expenses		
Mine development	117,870	41,782
Mining	1,935,464	1,925,707
Milling	631,787	588,447
Other expenses at the property	676,107	588,436
Administrative and corporate expenses	102,255	68,637
	<u>3,463,483</u>	<u>3,213,009</u>
Operating profit before the undernoted items	173,081	102,558
Depreciation	89,645	87,101
Proportion of shaft sinking expenditures written off	80,400	90,923
Outside exploration	47,031	74,075
	<u>217,076</u>	<u>252,099</u>
	(43,995)	(149,541)
Income from investments	84,871	112,788
Income (loss) before extraordinary items	<u>40,876</u>	<u>(36,753)</u>
 Extraordinary Items		
Gain (loss) on sale of investments	23,258	(359,729)
Allowance for decline in market value of marketable securities no longer required	110,000	80,000
	<u>133,258</u>	<u>(279,729)</u>
Net income (loss) for the year	174,134	(316,482)
Retained earnings at beginning of year	4,392,943	4,709,425
Retained earnings at end of year	<u>\$4,567,077</u>	<u>\$4,392,943</u>
 Earnings (loss) per share		
Income (loss) before extraordinary items	1¢	(1¢)
Net income (loss) for the year	4¢	(8¢)

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1972

(with comparative figures for 1971)

Source of Funds	1972	1971
Income (loss) before extraordinary items	\$ 40,876	\$ (36,753)
Items not involving current funds		
Depreciation	89,645	87,101
Proportion of shaft sinking expenditures written off	80,400	90,923
	<u>210,921</u>	<u>141,271</u>
Sale of shares in associated and other companies	926,546	399,384
Allowance for decline in market value of marketable securities no longer required	110,000	80,000
Profit on sale of marketable securities	29,754	
Issue of capital stock	49,600	
Proceeds on conversion of Marchant shares to shares of Wright-Hargreaves		150,000
	<u>1,326,821</u>	<u>770,655</u>
 Application of Funds		
Purchase of shares in associated and other companies	262,580	231,064
Additions to fixed assets	104,725	48,521
Shaft sinking and other operating expenditures deferred	41,906	65,495
Loss on sale of marketable securities		255,224
	<u>409,211</u>	<u>600,304</u>
Increase in working capital	917,610	170,351
Working capital at beginning of year	3,063,607	2,893,256
Working capital at end of year	<u>\$3,981,217</u>	<u>\$3,063,607</u>

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NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1972

1. Investment in Associated Companies

The market values shown are based on closing market prices at December 31 in each year. Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated market value.

2. Capital Stock

During 1972, the company obtained supplementary letters patent increasing the authorized capital from 4,000,000 shares of \$1 each to 5,000,000 shares of \$1 each.

In 1972, 35,000 shares were issued to employees under an incentive stock option plan for \$49,600 cash.

At December 31, 1972 employee incentive stock options were outstanding as follows:

No. of shares	Price per share	Period exercisable
9,000	\$1.90	June 8, 1973 to June 7, 1974
9,000	1.90	June 8, 1974 to June 7, 1975
26,000	1.25	May 16, 1973 to May 15, 1974
26,000	1.25	May 16, 1974 to May 15, 1975

3. Supplementary Information

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1972	1971
Directors and officers	\$25,378	\$20,033
Mine employees	53,826	51,486
Total	<u>\$79,204</u>	<u>\$71,519</u>

EAST MALARTIC MINES LIMITED

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LONG LAC MINERAL EXPLORATION LIMITED 1972 EXPLORATION REPORT

Exploration was conducted throughout Canada with the majority of work concentrated in the provinces of Ontario, Quebec and Newfoundland. Direct expenditures on 12 separate projects totalled \$309,000.

A copper-zinc-lead showing was discovered in Newfoundland, within a large parcel of land held under option by your company. Drilling will be necessary to evaluate this occurrence.

Interests were earned in four properties lying on strike from the Mines de Poirier ore bodies in the Joutel base metal camp of Quebec. This project is a joint venture in which Long Lac Mineral Exploration has a 30% interest. Further exploration, however, will be governed by developments in the area.

A three year joint venture search for base metal deposits in Northwestern Ontario was terminated. Negotiations are underway to farmout our interest in this area.

In addition to the reported direct exploration expenditures Long Lac Mineral Exploration Limited, on behalf of its shareholders, exercised an option to purchase 200,000 shares of Polaris Oils Limited at 50¢ per share. This purchase increased your company's investment in Polaris to 400,000 shares at 50¢ per share. A merger was recently completed with Peyto Oils Limited on the basis of 6 shares of Polaris for one share of Peyto.

Interest in your company was divided in 1972 among the following companies: Little Long Lac Mines Limited and Lake Shore Mines Limited with 25% each, Willroy Mines Limited with 20% and Malartic Gold Fields (Quebec) Limited, Wright-Hargreaves Mines Limited, East Malartic Mines Limited with 10% each.

D. G. Sheehan,
Manager

March 20th, 1973

